



House of Representatives

General Assembly

File No. 385

February Session, 2002

Substitute House Bill No. 5667

House of Representatives, April 9, 2002

The Committee on Finance, Revenue and Bonding reported through REP. MCDONALD of the 148th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING TAX TREATMENT OF CERTAIN ALTERNATIVE FUELS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (2) of subsection (b) of section 12-587 of the
2 general statutes, as amended by sections 20 and 67 of public act 01-6 of
3 the June special session, is repealed and the following is substituted in
4 lieu thereof (*Effective July 1, 2002*):

5 (2) Gross earnings derived from the first sale of the following
6 petroleum products within this state shall be exempt from tax: (A) Any
7 petroleum products sold for exportation from this state for sale or use
8 outside this state; (B) the product designated by the American Society
9 for Testing and Materials as "Specification for Heating Oil D396-69",
10 commonly known as number 2 heating oil, to be used exclusively for
11 heating purposes or to be used in a commercial fishing vessel, which
12 vessel qualifies for an exemption pursuant to section 12-412, as

13 amended; (C) kerosene, commonly known as number 1 oil, to be used
14 exclusively for heating purposes, provided delivery is of both number
15 1 and number 2 oil, and via a truck with a metered delivery ticket to a
16 residential dwelling or to a centrally metered system serving a group
17 of residential dwellings; (D) the product identified as propane gas, to
18 be used exclusively for heating purposes; (E) bunker fuel oil,
19 intermediate fuel, marine diesel oil and marine gas oil to be used in
20 any vessel having a displacement exceeding four thousand dead
21 weight tons; (F) for any first sale occurring prior to [January 1, 2000, or
22 during the period commencing July 1, 2001, and ending June 30, 2002]
23 July 1, 2003, propane gas to be used as a fuel for a motor vehicle; (G)
24 for any first sale occurring on or after July 1, 2002, grade number 6 fuel
25 oil, as defined in regulations adopted pursuant to section 16a-22c, to be
26 used exclusively by a company which, in accordance with census data
27 contained in the Standard Industrial Classification Manual, United
28 States Office of Management and Budget, 1987 edition, is included in
29 code classifications 2000 to 3999, inclusive, or in Sector 31, 32 or 33 in
30 the North American Industrial Classification System United States
31 Manual, United States Office of Management and Budget, 1997 edition;
32 (H) for any first sale occurring on or after July 1, 2002, number 2
33 heating oil to be used exclusively in a vessel primarily engaged in
34 interstate commerce, which vessel qualifies for an exemption under
35 section 12-412, as amended; [or] (I) for any first sale occurring on or
36 after July 1, 2000, paraffin or microcrystalline waxes; or (I) for any first
37 sale occurring on or after July 1, 2002, and prior to July 1, 2003,
38 petroleum products to be used as a fuel for a fuel cell, as defined in
39 subdivision (113) of section 12-412, as amended.

40 Sec. 2. Subsection (a) of section 12-264 of the general statutes, as
41 amended by section 21 of public act 01-6 of the June special session, is
42 repealed and the following is substituted in lieu thereof (*Effective July*
43 *1, 2002*):

44 (a) Each (1) Connecticut municipality or department or agency
45 thereof, or Connecticut district, manufacturing, selling or distributing
46 gas or electricity to be used for light, heat or power, in this chapter and

47 in chapter 212a called a "municipal utility", (2) company the principal
48 business of which is manufacturing, selling or distributing gas or
49 steam to be used for light, heat or power, including each foreign
50 municipal electric utility, as defined in section 12-59, and given
51 authority to engage in business in this state pursuant to the provisions
52 of section 16-246c, and (3) company required to register pursuant to
53 section 16-258a shall pay a quarterly tax upon gross earnings from
54 such operations in this state. Gross earnings from such operations
55 under subdivisions (1) and (2) of this subsection shall include (A) all
56 income classified as operating revenues by the Department of Public
57 Utility Control in the uniform systems of accounts prescribed by said
58 department for operations within the taxable quarter and, with respect
59 to each such company, (B) all income classified in said uniform
60 systems of accounts as income from merchandising, jobbing and
61 contract work, (C) income from nonutility operations, (D) revenues
62 from lease of physical property not devoted to utility operation, and
63 (E) receipts from the sale of residuals and other by-products obtained
64 in connection with the production of gas, electricity or steam. Gross
65 earnings from such operations under subdivision (3) of this subsection
66 shall be gross income from the sales of natural gas. Gross earnings of a
67 gas company, as defined in section 16-1, as amended, shall not include
68 income earned in a taxable quarter commencing prior to June 30,
69 [2002] 2003, from the sale of natural gas or propane as a fuel for a
70 motor vehicle. No deductions shall be allowed from such gross
71 earnings for any commission, rebate or other payment, except a refund
72 resulting from an error or overcharge and those specifically mentioned
73 in section 12-265. Gross earnings of a company as described in
74 subdivision (2) of this subsection shall not include income earned in
75 any taxable quarter commencing on or after July 1, 2000, from the sale
76 of steam.

77 Sec. 3. Subdivisions (67) to (69), inclusive, of section 12-412 of the
78 general statutes, as amended by section 22 of public act 01-6 of the June
79 special session, are repealed and the following is substituted in lieu
80 thereof (*Effective July 1, 2002*):

81 (67) Sales of and the storage, use or other consumption, prior to July
82 1, [2002] 2003, of a new motor vehicle which is exclusively powered by
83 a clean alternative fuel. As used in this subsection and subsections (68)
84 and (69), "clean alternative fuel" shall mean natural gas, hydrogen or
85 electricity when used as a motor vehicle fuel or propane when used as
86 a motor vehicle fuel if such a vehicle meets the federal fleet emissions
87 standards under the federal Clean Air Act or any emissions standards
88 adopted by the Commissioner of Environmental Protection as part of
89 the state's implementation plan under said act.

90 (68) Sales of and the storage, use or other consumption, prior to July
91 1, [2002] 2003, of conversion equipment incorporated into or used in
92 converting vehicles powered by any other fuel to either exclusive use
93 of a clean alternative fuel or dual use of any other fuel and a clean
94 alternative fuel, including, but not limited to, storage cylinders,
95 cylinder brackets, regulated mixers, fill valves, pressure regulators,
96 solenoid valves, fuel gauges, electronic ignitions and alternative fuel
97 delivery lines.

98 (69) Sales of and the storage, use or other consumption, prior to July
99 1, [2002] 2003, of equipment incorporated into or used in a compressed
100 natural gas or hydrogen filling or electric recharging station for
101 vehicles powered by a clean alternative fuel, including, but not limited
102 to, compressors, storage cylinders, associated framing, tubing and
103 fittings, valves, fuel poles and fuel delivery lines used for clean
104 alternative fuel storage and filling facilities.

This act shall take effect as follows:	
Section 1	<i>July 1, 2002</i>
Sec. 2	<i>July 1, 2002</i>
Sec. 3	<i>July 1, 2002</i>

FIN *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Fund-Type	Agency Affected	FY 03 \$
GF - Revenue Loss	Department of Revenue Services	\$325,000 (one-time)
GF - Precludes a Revenue Gain	Department of Revenue Services	\$200,000 (one-time)

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill results in a one-time revenue loss of:

- a) approximately \$225,000 to the Petroleum Gross Earnings Tax related to propane sales used in motor vehicles since January 1, 2000 and prior to July 1, 2001;
- b) less than \$50,000 to the Petroleum Gross Earnings Tax from exempting the sales of petroleum products occurring between July 1, 2002 and June 30, 2003 used as fuel for fuel cells;
- c) less than \$50,000 to the Sales and Use Tax from exempting sales occurring between, July 1, 2002 and June 30, 2003, of vehicles exclusively powered by hydrogen and related equipment.

The bill precludes a revenue gain of:

- a) approximately \$75,000 to Petroleum Gross Earnings Tax as a result of extending the sunset date from, July 1, 2002 to July 1, 2003, for the exemption of sales of propane used as fuel in motor vehicles;

- b) approximately \$75,000 to Public Service Companies Tax as a result of extending the sunset date from, July 1, 2002 to July 1, 2003, for the exemption of sales of natural gas or propane used as fuel in motor vehicles;
- c) approximately \$50,000 to the Sales and Use Tax as a result of extending the sunset date from July 1, 2002 to July 1, 2003, for exemptions related to motor vehicles (new or modified) that exclusively use alternative fuel and for equipment incorporated into or used in an alternative fuel or recharging station.

OLR Bill Analysis*sHB 5667***AN ACT CONCERNING TAX TREATMENT OF CERTAIN
ALTERNATIVE FUELS****SUMMARY:**

This bill exempts fuel cell fuel from the petroleum products gross earnings tax and hydrogen-powered vehicles and their associated fueling equipment from the sales and use tax from July 1, 2002 through June 30, 2003.

It also extends existing exemptions from the petroleum products gross earnings tax, the utility companies tax, and the sales and use tax for alternative fuels and alternative fuel vehicles for an additional year. These exemptions are currently scheduled to expire on July 1, 2002.

Finally, it retroactively exempts from the petroleum products gross earnings tax propane used for motor fuel first sold by refiners or distributors in the state between January 1, 2000 and July 1, 2001.

EFFECTIVE DATE: July 1, 2002

PETROLEUM PRODUCTS GROSS EARNINGS TAX

The bill exempts earnings from refiners' or distributors' first sales of petroleum products to be used as fuel cell fuel that occur between July 1, 2002 and June 30, 2003 from the petroleum products gross earnings tax. As under current law, a "fuel cell" is a device that produces electricity directly or indirectly from hydrogen or hydrocarbon fuel through an electro-chemical process, rather than by burning.

The bill also delays, from July 1, 2002 to July 1, 2003, the expiration date of the exemption for first sales of propane for motor vehicle fuel and extends the exemption back to such sales that occurred between January 1, 2000 and July 1, 2001.

UTILITY TAX EXEMPTION

The bill extends, from June 30, 2002 to June 30, 2003, the expiration date of an exemption from the utility gross earnings tax for gas company income earned from selling natural gas or propane for motor vehicle fuel.

SALES AND USE TAX

The bill extends for one year, from July 1, 2002 to July 1, 2003, the expiration dates of sales and use tax exemptions for:

1. new vehicles that run exclusively on natural gas or electricity;
2. new vehicles that run exclusively on propane, if they meet federal or state emission standards under the Clean Air Act;
3. equipment used to convert vehicles to run exclusively on natural gas, electricity, or propane or to run on one of those fuels and any other fuel; and
4. equipment used in, or as part of, a compressed natural gas filling or electric recharging station for alternative-fuel vehicles.

It also extends the exemption to cover vehicles powered exclusively by hydrogen and their associated fueling equipment.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 39 Nay 3